

RECEIVED

MAY 20 1991

WATER RIGHTS
SALT LAKE

LEASE OF WATER

This lease agreement is made and entered into this 6th day of May, 1991, by and between Red Cedar Corporation, a Utah Corporation and George C. Douglass and Veronica F. Douglass, his wife, as Joint Tenants as follows:

1. LEASEHOLD INTEREST

Lessor hereby leases to Lessee the right to take at a continuous rate of flow up to 20 gallons of water per minute from Lessor's pipeline at any time during the term of the lease under Lessor's water rights 18-32 and 18-33, for domestic, irrigation and livestock watering purposes, hereinafter referred to as Leased Water.

2. TERM

This lease shall commence on January 1, 1991 and shall terminate on December 31, 1991, unless earlier terminated as provided for herein. The lease term may be extended for additional one year terms on the following basis:

A. Lessee shall be in full compliance with the terms and conditions of a Judgment entered on Stipulation of the parties hereto in an action entitled Red Cedar Corporation vs. George C. Douglass, et. al., Civil Number ⁶⁴4684 in the Fourth Judicial District Court for Juab County, State of Utah at the end of the initial lease term or any extended lease term.

B. Lessee is not in default under the terms and conditions of this lease at the end of the lease term or any extended lease term.

C. Lessee gives to Lessor written notice of Lessee's intent to renew the lease at least 30 days prior to the expiration of the lease term or any extended lease term.

3. RENT

Lessee shall pay to Lessor as rent for the use and possession of the water described in paragraph 1 hereof, an amount equal to Lessor's share of the River Commissioner's expenses incurred in the performance of his duties in accordance with the Judgment entered by the Court in the above entitled action. The rent shall be due and payable in advance for the lease term or any extended lease term and shall be paid within 30 days of the parties receipt of an invoice from the River Commissioner and/or the State Engineer for the River Commissioner's annual expenses.

4. USE OF WATER

Lessee shall be entitled to use the leased water for domestic, irrigation, power generation through an in-line turbin and livestock watering purposes only. Lessee may take water at such times as Lessee's needs dictate, subject to its availability, and at a continuous rate of flow not to exceed 20 gallons per minute (gpm).

5. CONNECTION TO LESSOR'S PIPELINE

Lessor hereby grants to Lessee a revocable license to make a metered connection to Lessor's pipeline for the purpose of using the Leased Water. This connection shall be made at Lessee's sole expense and shall be subject to Lessor's prior review and approval of the location, type and installation of any such connection, and the water meter, fitting and appurtenances used. Lessor's approval shall not be unreasonably withheld. Lessee shall reimburse Lessor for its reasonable costs incurred in reviewing any plans and specifications for any such connection. This license may be revoked by Lessor upon 10 days written notice to Lessee of Lessee's breach of this lease or default in the performance of the covenants contained in the Judgment entered in the above entitled action, and will expire automatically upon the termination or non-renewal of the lease. If Lessee fails to cure his default within the 10 day notice period, or upon the termination or non-renewal of the lease, Lessee shall immediately disconnect his pipeline from Lessor's pipeline. If Lessee fails to do so within 20 days of the termination of this license, Lessor shall be entitled to disconnect Lessee from its pipeline. Any costs incurred by Lessor in disconnecting Lessee shall be reimbursed by Lessee. Upon the termination of this license, Lessee shall have no further right to take any water from Lessor's pipeline for any purpose.

6. WATER QUALITY

The parties acknowledge that the water in Lessor's pipeline is not of culinary quality. Lessor shall have no obligation to Lessee or to Lessee's guests and invitees to treat or otherwise render the water in its pipeline suitable for human consumption. Lessee shall accept delivery of the Leased Water in its "as is" condition. Lessee shall bear any and all costs involved in the purchase, installation, operation and maintenance of any water treatment facilities or devices that Lessee may wish to install on his own pipeline or water delivery system in order to make the Leased Water of potable quality.

7. WARRANTY OF TITLE

Lessor hereby warrants that it owns the above referenced water and water rights, and that it has the authority pursuant to a Resolution of its Board of Directors to enter in to this Lease Agreement and to be bound thereby.

8. RISK OF TERMINATION

Lessee acknowledges that this lease is subject to termination in the event Lessee breaches the terms and conditions of this lease or fails to comply with the terms and conditions of the Judgment entered in the above referenced action. Therefore, in using this water for irrigation purposes, Lessee assumes the risk that any crop grown with this water may be lost or damaged if the lease is terminated as provided for herein before the crop matures. Lessor

shall incur no liability to Lessee for any such loss resulting from the termination of this Lease upon the uncured default of Lessee.

9. RISK OF DROUGHT OR OTHER SHORTAGES

The parties further acknowledge that the availability of the Leased Water under Lessor's prior vested water rights is dependant upon natural precipitation and that Lessor is not a guarantor of the availability of the Leased Water to Lessee under this Lease. Lessor shall incur no liability to Lessee for its failure to deliver the Leased Water to Lessee under this Lease if that failure is caused by drought or other natural or man-made shortages that are reasonably beyond Lessor's control and that are not caused by Lessor's own negligence or willful misconduct.

10. INDEMNIFICATION

Lessor shall not be liable for damages due to injury to person or property for any cause relating to the use of the Leased Water by Lessee. Lessee shall indemnify and save Lessor harmless for all liability, loss, or other damages, claims or obligations resulting from any injuries or losses relating to Lessee's diversion and use of the Leased Water for the purposes authorized by this lease.

11. ASSIGNMENT, SUBLEASE OR LICENSE

Lessee shall not sublet the Leased Water or assign this lease, or any right or privilege connected therewith or allow any other person except the agents, employees and immediate family of Lessee to use the water or any part thereof without first obtaining the written consent of Lessor. Lessor's consent shall not constitute

a novation, nor shall it be construed as consent to a further or subsequent assignment or sublease to another person or entity. Any unauthorized assignment, sublease or license to use the Leased Water by Lessee shall be null and void, and shall cause this lease to terminate at the option of Lessor.

12. DEFAULT

Lessee's failure to pay the rent reserved herein when the same shall become due and payable, and Lessee's failure to perform or to comply with the other covenants and conditions of this Lease and to comply with the terms and conditions of the Judgment entered in the above entitled action shall constitute a default under this Lease. Lessee shall have 10 days following his receipt of written notice of his default to cure any such default. Lessee's failure to cure any such default within the 10 day notice period shall result in the automatic termination of this lease.

13. NOTICE

Any notices to be given under this Lease shall be sufficient if given in writing and mailed, postage prepared to the parties at the following addresses which may be changed from time to time:

Lessor
Red Cedar Corporation
Mr. Glen Allred
Star Route #705, Trout Creek, Utah 84083

Lessee
George C. Douglass

14. COSTS AND ATTORNEY'S FEES

Each party agrees that should they default in any of the covenants or conditions contained herein, the defaulting party shall pay all costs and expenses, including reasonable attorney's fee incurred by the non-defaulting party in the enforcement of this Lease, whether enforcement is pursued through litigation or otherwise.

15. BINDING EFFECT

This agreement shall be binding upon the parties hereto and their heirs, successors, administrators and assigns, and shall supersede all other prior oral or written agreements relating to this subject, except that it shall not supersede the Judgment entered in the above referenced litigation, which Judgment is incorporated herein by this reference.

IN WITNESS WHEREOF, the parties have executed this Lease Agreement the day and year first written above.

LESSOR
Red Cedar Corporation

By: Owen A. Allred
Its: president

LESSEE
George C. Douglass
Veronica F. Douglass

George C. Douglass
Veronica F. Douglass